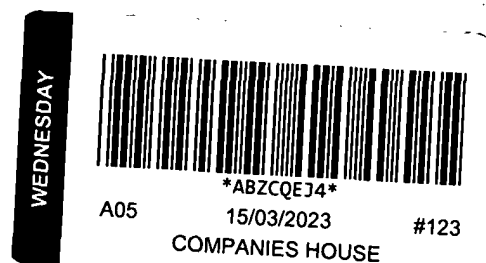


ESKMUIR (THAYER STREET 2) LIMITED

Annual Report and Financial Statements

For the year ended

30 September 2022



ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

CONTENTS	Page
Financial Highlights	2
Directors, Officers and Professional Advisers	3
Report of the Directors	4
Directors' Responsibilities Statement	6
Independent Auditor's Report	7
Income Statement	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

ESKMUIR (THAYER STREET 2) LIMITED**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022****FINANCIAL HIGHLIGHTS**

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Turnover	£554	£561
Loss Before Tax	(£620)	(£1,550)
Loss Per Share	(£468)	(£1,948)
Net Assets Per Share	£2,087	£2,555
Total shareholder return	-18%	-43%

Key performance indicators are considered at a consolidated level in the group and are presented in the statements of the parent company Eskmuir Properties Limited.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C M Laing* Chairman
P A Hodgson Managing Director
J A Harding Finance Director
R J M Collier*
D E Laing*
J M K Laing* (retired 18 January 2022)
N J Treble *

* Non-Executive

COMPANY SECRETARY

J A Harding

REGISTERED OFFICE

8 Queen Anne Street
London
W1G 9LD

PROPERTY MANAGER

Savills (UK) Ltd
33 Margaret Street
London
W1G 0JD

INDEPENDENT AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

BANKERS

National Westminster Bank PLC
250 Bishopsgate
London
EC2M 4AA

SOLICITORS

DLA Piper UK LLP
160 Aldersgate Street
London
EC1A 4HT

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 30 September 2022 for Eskmuir (Thayer Street 2) Limited, a company domiciled and registered in England and Wales and incorporated in the United Kingdom.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption under s415 of Companies Act 2006.

ACTIVITY

The principal activity of the Company is the business of property investment.

RESULTS AND DIVIDENDS

The results for the year are detailed in the income statement on page 9. This shows a loss before tax of £0.6m (2021: Loss of £1.6m) and a loss after tax of £0.5m (2021: Loss of £1.9m).

No interim dividend has been paid during the year (2021: £nil) and the Board is not recommending the payment of a final dividend for the year (2021: £nil).

BUSINESS REVIEW

The 2022 Financial Year has been a strong year for the Company's group, but less positive for the company itself. Eskmuir saw a robust start to the 2022 financial year although the more recent macroeconomic and ongoing geopolitical uncertainty has presented challenges. The Company and its group remain committed to the disciplined implementation of Eskmuir's business model and strategy.

Further information that fulfils the requirements of the Business Review can be found in the financial highlights for the Company set out on page 2, which are incorporated into this report by reference.

The key business risks facing the Company are considered in detail by the Board on a quarterly basis. The principal risks facing the Company are:

- Tenant failure - the significant risk to cash flow in property investment is the loss of rental income, particularly so in the current environment. The nature of the Eskmuir Group's portfolio is such that this income is derived from a large and diverse tenant base thereby reducing risk. Risk is somewhat concentrated in the Company however due to its ownership of a single (albeit multi let) retail asset, the exposure and control over potential bad debts is managed through intensive asset and property management and careful vetting of potential tenants.
- Liquidity risk - the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day-to-day monitoring of future cash flow requirements and headroom on existing facilities to ensure that the Company has enough resources to repay all future amounts outstanding.
- Covenant compliance risk - the risk of the Company breaching the loan to value or interest cover ratios that are a condition of the bond trust deeds or the loan documentation. The covenants require that the company maintains an agreed loan to value ratio of the properties secured, and an income from the secured properties to interest ratio.
- Market risk - the uncertainty surrounding the UK economy at the current time with the Ukraine / Russia war, cost of living crisis, elevated inflation and interest rates and the combined impact on property values. This risk is mitigated at group level by maintaining leverage (LTV) within the Board approved range of 30%-50%.

DIRECTORS

The membership of the Board throughout the year and up to the date of signing is set out on page 3.

None of the Directors has any interest in the shares of the Company.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Company is set out in the Balance Sheet and the accompanying notes to the financial statements. The Directors believe that having a balanced portfolio of investment properties, the knowledge and experience of the Group's management team and a conservative level of bank funding are the standard approach adopted to help mitigate business risks. Additionally, the series of mitigating actions formed by Directors in response to the Covid crisis have continued to be adhered to since the crisis eased. These actions will continue to serve to minimise the financial impact to Eskmuir in this current changing economic environment. Actions include: tight credit control of outstanding tenant arrears, providing assistance, mainly in the form of payment plans, to those tenants needing help; Implementation of the 2022 investment property sale programme and repayment of the bank debt with proceeds; Continuing to pursue the letting of vacant space; maintaining headroom over banking covenants; maintaining a higher number of tenants across the portfolio to reduce specific tenant risk; and Interim Economic Risk Management Committee (IERMC) meetings maintained.

REPORT OF THE DIRECTORS (continued)**GOING CONCERN (continued)**

A dashboard of the Eskmuir group business, of which the Company forms part, is presented at the group's Interim Risk Management Committee (IERMC) meetings, this includes rent collection data, cash, bank covenant compliance data, asset details and Projections for the current financial year. Also included is a set of Projections which show a Base case, Best case and Worse case sensitivity of given assumptions.

The Company is in a net current liability position at the year end (2021: net current liability position).

The only significant creditor of the Company being its parent undertaking, Eskmuir Properties Ltd. As detailed in note 10, on 9 December 2021 the company and its parent agreed to vary the intercompany loan agreement such that repayment is now due on 31 March 2025; and interest is charged at a margin of 2.05% over SONIA.

The Company's ultimate holding company and controlling party has agreed to provide adequate funds to enable the Company to meet in full its financial liabilities as they fall due for a period of at least 12 months from the date when the financial statements are signed. The Directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied it will remain available. After making reasonable enquiries, are of the opinion that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As detailed in note 8, alongside the parent undertaking Eskmuir Properties Ltd, the Company acts as a guarantor to external Bond debt issued by Eskmuir Group Finance plc, a fellow wholly owned subsidiary of Eskmuir Properties Ltd.

DIRECTORS' REMUNERATION

No Director received any emoluments from the Company during the year or prior year. Salaries are payable only by Eskmuir Properties Ltd to Directors of that company.

POST BALANCE SHEET EVENTS

There were no post balance sheet events.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a Director at the date of approval of the report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

QUALIFYING THIRD PARTY INDEMNITY PROVISION

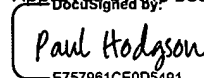
A qualifying third party indemnity provision as defined in section 232(2) of the Companies Act 2006 is in force for the benefit of each of the Directors and the Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year this also applies to the wider group which includes all subsidiaries.

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 8 December 2022 and signed on behalf of the Board


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P A Hodgson
Managing Director

Date: 19 December 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the and the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESKMUIR (THAYER STREET 2) LIMITED**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion the financial statements of Eskmuir (Thayer Street 2) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESKMUIR (THAYER STREET 2) LIMITED
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, including valuation specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- management's incentive to manipulate assumptions used by the external valuer in their estimation of the fair value of the investment properties: We have engaged internal property management experts to challenge these assumptions against industry data to benchmark key yield assumptions used in the valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESKMUIR (THAYER STREET 2) LIMITED
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

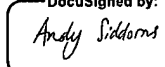
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

CA52DA0164774B5...

Andy Siddorns FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 19 December 2022

ESKMUIR (THAYER STREET 2) LIMITED

INCOME STATEMENT
For the year ended 30 September 2022

	NOTE	2022 £'000	2021 £'000
RENTAL INCOME	3	554	561
Administrative expenses		(293)	(216)
OPERATING PROFIT	4	261	345
Losses on revaluation of investment property		(552)	(1,657)
Finance Costs	5	(329)	(238)
LOSS BEFORE TAX		(620)	(1,550)
Tax credit / (charge) on loss	7	152	(398)
Loss for the financial year		(468)	(1,948)
Basic and diluted loss per share	14	(468)	(1,948)

The above results are from continuing operations.

A statement of comprehensive income has not been provided as there was no items of "Other comprehensive income" in either year.

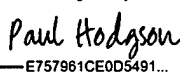
ESKMUIR (THAYER STREET 2) LIMITED

BALANCE SHEET
As at 30 September 2022

	NOTE	2022 £'000	2021 £'000
FIXED ASSETS			
Investment properties	8	18,380	18,935
CURRENT ASSETS			
Debtors	9	253	400
Cash at bank and in hand		66	103
		<u>319</u>	<u>503</u>
CREDITORS: amounts falling due within one year	10	(347)	(13,988)
NET CURRENT LIABILITIES		<u>(28)</u>	<u>(13,485)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,352	5,450
CREDITORS: amounts falling due after more than one year	11	(13,509)	-
PROVISIONS FOR LIABILITIES	12	(2,756)	(2,895)
NET ASSETS		<u>2,087</u>	<u>2,555</u>
CAPITAL AND RESERVES			
Called up share capital (£1)	13	-	-
Profit and loss reserve		2,087	2,555
SHAREHOLDER'S FUNDS		<u>2,087</u>	<u>2,555</u>
NET ASSETS PER SHARE	16	<u>2,087</u>	<u>2,555</u>

These financial statements of Eskmuir (Thayer Street 2) Limited, registered number 07786827, on pages 9 to 18 were approved and authorised for issue by the Board of Directors on 8 December 2022. Signed on behalf of the Board of Directors

DocuSigned by:



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P A Hodgson
Managing Director

Date: 19 December 2022

ESKMUIR (THAYER STREET 2) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2022

	Called up share capital Note 13 £'000	Profit and loss reserve £'000	Total £'000
At 30 September 2020	-	4,503	4,503
Loss and total comprehensive expense for the year		(1,948)	(1,948)
At 30 September 2021	-	2,555	2,555
Loss and total comprehensive expense for the year		(468)	(468)
At 30 September 2022	-	2,087	2,087

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2022

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

a) General information and basis of accounting

Eskmuir (Thayer Street 2) Limited (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's Registered Office is shown on page 3.

The principal activities of the Company and the nature of the Company's operations are set out in the Report of the Directors on Page 4.

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (FRC).

The functional currency of the Company is considered to be pounds sterling, that is the currency of the primary economic environment in which the company operates.

Eskmuir (Thayer Street 2) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to presentation of its own cash flow statement and notes concerning remuneration of key management personnel and financial instruments. Details of the controlling party and contact details for copies of financial statements are disclosed in note 18.

The Company is consolidated in the financial statements of its ultimate parent, Eskmuir Properties Limited, whose accounts are available as detailed in Note 18.

b) Going concern

The financial statements have been prepared using the going concern basis of accounting. See page 4 for more information.

c) Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the income statement.

Acquisitions and disposals of investment properties are accounted for in the period in which contracts become unconditional.

Disposals of properties are recognised where contracts have been unconditionally exchanged during the accounting period and the significant risks and rewards of ownership of the property have been transferred to the purchaser.

Where an investment property is held under a head lease, the head lease is initially recognised as an asset at the present value of the minimum ground rent payable under the lease. The corresponding rent liability to the leaseholder is included in the balance sheet as a finance lease obligation.

d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 30 September 2022****1 ACCOUNTING POLICIES (continued)****e) Rental income**

Rental income represents net amounts receivable for the year exclusive of VAT. Surrender premiums received during the year are included in net rental income. Rental income billed in advance is recorded as deferred income and included as part of Creditors: amounts due within one year.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

f) Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. Capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

g) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

h) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant accounting judgements exercised during the current year (2021: none).

Key sources of estimation uncertainty

Investment properties were revalued to fair value as at 30 September 2022 based on a valuation by Jones Lang LaSalle, Chartered Surveyors, an independent professionally qualified valuer with recent experience in the location and class of the investment property being valued. The Valuation basis is market value and was arrived at by reference to market evidence of the transaction prices paid for similar properties in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The key assumptions used in determining the fair value of investment properties were property yields and estimated rental values (Note 8).

ESKMUIR (THAYER STREET 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2022

3 RENTAL INCOME

	2022 £'000	2021 £'000
Rental income receivable	<u>554</u>	<u>561</u>
	<u>554</u>	<u>561</u>

Rental income, profit before tax and net assets derive solely from the Company's single principal activity carried out wholly within the United Kingdom.

4 OPERATING PROFIT

	2022 £'000	2021 £'000
Operating profit is after charging:		
Audit services for auditing the financial statements	11	8
Auditor non-audit fees - tax compliance services	<u>3</u>	<u>3</u>
	<u>14</u>	<u>11</u>

5 FINANCE COSTS

	2022 £'000	2021 £'000
Interest due on intercompany loans from parent	<u>329</u>	<u>238</u>

On 9 December 2021 the company and its parent undertaking varied the terms of their existing intercompany loan agreement to: extend the term to 31 March 2025; and amend the basis of interest to 2.05%pa over SONIA.

6 STAFF COSTS

The Company has no employees (2021: no employees)

No Director received any emoluments from the Company during the year or prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2022

7 TAX ON LOSS

	2022 £'000	2021 £'000
Current Tax on profit		
United Kingdom corporation tax at 19.0% (2021: 19.0%)	(13)	20
Total current tax	<u>(13)</u>	<u>20</u>
Deferred tax		
Tax on revaluation deficits	(139)	378
Total deferred tax (see note 12)	<u>(139)</u>	<u>378</u>
Total tax on loss	<u><u>(152)</u></u>	<u><u>398</u></u>

Factors affecting the tax charge for the current year

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2022 £'000	2021 £'000
Loss before tax	(620)	(1,550)
Tax on profit at standard UK corporation tax rate of 19.0% (2021: 19.0%)	(118)	(294)
Deferred tax on unrealised revaluation surpluses	(34)	(101)
Effect of changes in tax rates (on deferred tax provision)	-	794
Total tax (credit) / charge for year	<u><u>(152)</u></u>	<u><u>398</u></u>

The main rate of corporation tax, as outlined in The Finance Bill 2017, was to reduce to 17% from 19% on 1st April 2020. This was enacted but before it came into effect on 1 April 2020, a new enactment was passed which reverted the tax rate back to 19% from 1 April 2020 onwards. A subsequent enactment during 2021 increased the tax rate to 25% from 1 April 2023.

Deferred tax assets and liabilities were measured at 17% up to 30 September 2019 as it was anticipated the timing differences would have reversed after the point at which the rate reduced. At 30 September 2020 deferred tax liabilities were measured at 19% and from 30 September 2021 deferred tax liabilities were measured at 25%.

ESKMUIR (THAYER STREET 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

8 INVESTMENT PROPERTIES

	Leasehold £'000
At 1 October 2021	18,935
Additions	-
Movement of lease incentives	(3)
Revaluation in year	(552)
At valuation at 30 September 2022	<u>18,380</u>
At cost	
At 30 September 2022	<u>15,763</u>
At 30 September 2021	<u>15,763</u>

Investment properties were externally valued as at 30 September 2022 by Jones Lang LaSalle, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuer is a qualified independent valuer who holds a recognised and relevant professional qualification and has recent experience in the relevant locations and the category of properties being valued. The valuation basis is market value and was arrived at by reference to market evidence of the transaction prices paid for similar properties.

As set out in note 3, property rental income earned during the year was £0.55m (2021: £0.56m). No contingent rents have been recognised as rental income in the current year.

The Bond loan is secured against the company's investment properties with a total value of £18,380,000 (2021: £18,935,000).

9 DEBTORS

	2022 £'000	2021 £'000
Trade debtors	-	134
Other debtors	180	202
Prepayments	55	59
Recoverable service charge	5	5
Corporation tax receivable	13	-
	<u>253</u>	<u>400</u>

Other debtors above relate to:

- amounts collected from tenants by property agents but not yet paid over to the Company. The agents hold these monies in designated client accounts and pay the balances over to the Company on a periodic basis. At the balance sheet date £105,000 was due from the agents (2021: £57,000).
- rent deposit balances held by property agent. At the balance sheet date the amount held was £75,000 (2021: £145,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2022

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Amounts due to parent undertaking	-	13,587
Corporation tax	-	20
Other taxes and social security costs	44	66
Other creditors	139	145
Accruals	102	98
Deferred income	62	72
	<u>347</u>	<u>13,988</u>

On 9 December 2021 the company and its parent undertaking varied the terms of their existing intercompany loan agreement to: extend the term to 31 March 2025; and amend the basis of interest to 2.05%pa over SONIA.

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £'000	2021 £'000
Amounts due to parent undertaking	<u>13,509</u>	<u>-</u>

On 9 December 2021 the company and its parent undertaking varied the terms of their existing intercompany loan agreement to: extend the term to 31 March 2025; and amend the basis of interest to 2.05%pa over SONIA.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	2022 £'000	2021 £'000
Deferred taxation - amounts provided:		
At 1 October	2,895	2,517
(Credit) / charge to income statement	(139)	378
At 30 September	<u>2,756</u>	<u>2,895</u>
Analysis of Deferred Tax balance		
Contingent corporation tax on revaluation surpluses	<u>2,756</u>	<u>2,895</u>

13 CALLED UP SHARE CAPITAL

	2022 £	2021 £
Called up, allotted and fully paid:		
1 ordinary share of £1	<u>1</u>	<u>1</u>

ESKMUIR (THAYER STREET 2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 September 2022****14 LOSS PER SHARE**

		2022	2021
Basic and diluted loss per share	£'000	<u>(468)</u>	<u>(1,948)</u>
Basic and diluted loss per share have been calculated based upon the following figures:			
Number of shares in issue	No.	<u>1</u>	<u>1</u>
Loss for the year	£'000	<u>(468)</u>	<u>(1,948)</u>

15 OPERATING LEASES

Total minimum future lease receipts under non cancellable operating leases are as follows:	Land and Buildings	
	2022	2021
	£'000's	£'000's
In less than one year	526	362
Between two and five years	1,750	1,006
In more than five years	644	719
	<u>2,920</u>	<u>2,087</u>

16 NET ASSETS PER SHARE

Net assets per share has been calculated on 1 ordinary share in issue at the year end (2021: 1) and on net assets of £2,087,000 (2021: £2,555,000).

17 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 102, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of its parent, Eskmuir Properties Limited.

18 CONTROLLING PARTY INFORMATION

The immediate parent company of Eskmuir (Thayer Street 2) Limited is Eskmuir (Thayer Street 1) Limited and the ultimate parent company is Eskmuir Properties Limited. Both parent companies were incorporated in the United Kingdom and registered in England and Wales. Copies of the publicly available company financial statements of Eskmuir (Thayer Street 1) Limited and consolidated financial statements of Eskmuir Properties Limited, the largest and smallest group Eskmuir (Thayer Street 2) Limited is a member of, are available from the Company Secretary, 8 Queen Anne Street, London, W1G 9LD or at Companies House.

The Sir Kirby Laing Principal Settlement Trust is the controller and ultimate controller of Eskmuir Properties Limited.